



भारत का राजपत्र The Gazette of India

असाधारण
EXTRAORDINARY

भाग II — खण्ड 2
PART II — Section 2
प्राधिकार से प्रकाशित

PUBLISHED BY AUTHORITY



सं. 33] नई दिल्ली, शुक्रवार, दिसम्बर 17, 1999 / अग्रहायण 26, 1921
No. 33] NEW DELHI, FRIDAY, DECEMBER 17, 1999 / AGRAHAYANA 26, 1921

इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on 17.12.1999.

BILL No. 136 OF 1999

A Bill to amend the Small Industries Development Bank of India Act, 1989.

BE it enacted by Parliament in the Fiftieth Year of the Republic of India as follows:—

1. This Act may be called the Small Industries Development Bank of India (Amendment) Act, 1999.

Short title.

39 of 1989.

2. In section 2 of the Small Industries Development Bank of India Act, 1989 (hereinafter referred to as the principal Act),—

Amendment of section 2.

(a) for clause (b), the following clause shall be substituted, namely:—

‘(b) “Chairman and Managing Director” means the Chairman and managing director referred to in clause (a) of sub-section (1) of section 6;’

(b) in clause (e), for the words “Managing Director”, the words “Chairman and managing director and whole-time director” shall be substituted,

(c) after clause (f), the following clause shall be inserted, namely:—

‘(fa) “General Insurance Corporation” means the General Insurance Corporation of India formed under section 9 of the General Insurance Business (Nationalisation) Act, 1972;’

57 of 1972.

(d) after clause (h), the following clause shall be inserted, namely:—

'(ha) "Life Insurance Corporation" means the Life Insurance Corporation of India established under section 3 of the Life Insurance Corporation Act, 1956;'

31 of 1956

(e) clause (i) shall be omitted;

(f) after clause (l), the following clause shall be inserted, namely:—

'(la) "public sector bank" means the State Bank of India constituted under the State Bank of India Act, 1955, a subsidiary bank as defined in the State Bank of India (Subsidiary Banks) Act, 1959, a corresponding new Bank constituted under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 or under section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980'.

23 of 1955

38 of 1959

5 of 1970

40 of 1980

Substitution of new sections for sections 4 to 6. Authorized capital.

3. For sections 4 to 6 of the principal Act, the following sections shall be substituted, namely:—

'4. The authorised capital of the Small Industries Bank shall be one thousand crores of rupees divided into seventy-five crores fully paid-up equity shares of rupees ten each and twenty-five crores of fully paid-up redeemable preference shares of rupees ten each :

Provided that the Central Government may, on the recommendation of the Board, by notification, increase the authorised capital to an amount not exceeding two thousand crores of rupees consisting of such number of equity shares and redeemable preference shares as it may deem fit.

Conversion of equity shares into redeemable preference shares.

4A. (1) The Central Government may, at any time after the commencement of the Small Industries Development Bank of India (Amendment) Act, 1999, by notification, convert such number of equity shares held by the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, not exceeding twenty-five crores, as it may decide, into redeemable preference shares :

Provided that such conversion shall in no case reduce the equity shares held in aggregate by the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government to less than fifty-one per cent.

(2) The redeemable preference shares referred to in sub-section (1) shall—

(a) carry such fixed rate of dividend as the Central Government may specify at the time of such conversion, and

(b) neither be transferable nor carry any voting rights.

(3) The redeemable preference shares referred to in sub-section (1) shall be redeemed by the Small Industries Bank within three years from the date of such conversion in such instalments and in such manner as the Board may determine.

Transfer of capital.

4B. On such date as the Central Government may, in consultation with the Development Bank, by notification, specify (hereinafter referred to as "the specified date"), not less than fifty-one per cent. of the issued capital of the Small Industries Bank which has been subscribed by the Development Bank as on the date immediately preceding the specified date shall, stand transferred to, and vested in, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government in such proportion, manner and on such terms and conditions as may be determined by that Government.

Issued capital.

4C. (1) The issued capital of the Small Industries Bank of four hundred and fifty crores of rupees, immediately before the commencement of the Small Industries

Development Bank of India (Amendment) Act, 1999, shall, on such commencement stand divided into forty-five crores equity shares of rupees ten each.

(2) The Board may, from time to time, increase the issued equity share capital or redeemable preference share capital of the Small Industries Bank by allotment of shares to such persons and on such terms and conditions as the Board may determine :

Provided that no increase in the issued equity capital shall be made in such a manner that the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, hold in aggregate at any time, less than fifty-one per cent. of the issued equity share capital of the Small Industries Bank.

4D. (1) The Small Industries Bank may, with the prior approval of the Central Government, by a resolution passed in a general meeting of the shareholders, reduce its share capital in any way.

Reduction of
share capital

(2) Without prejudice to the generality of the foregoing power, the share capital may be reduced by—

(a) extinguishing or reducing the liability on any of its equity shares in respect of the share capital not paid-up;

(b) either with or without extinguishing or reducing liability on any of its equity shares, cancelling any paid-up share capital which is lost, or is unrepresented by available assets; or

(c) either with or without extinguishing or reducing liability on any of its equity shares, paying off any paid-up share capital which is in excess of the wants of the Small Industries Bank.

(3) In any general meeting referred to in sub-section (1), the resolution for reduction of share capital shall be passed by shareholders entitled to vote, voting in person, or, where proxies are allowed, by proxy, and the votes cast in favour of the resolution are not less than three times the number of the votes, if any, cast against the resolution by shareholders so entitled and voting.

4E. Every shareholder of the Small Industries Bank holding equity shares shall have a right to vote in respect of such shares on every resolution and his voting right on a poll shall be in proportion to his share of the paid-up equity share capital of the Small Industries Bank :

Restriction on
exercising of
voting right.

Provided, however, that no shareholder, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, shall be entitled to exercise voting rights in respect of any equity shares held by him in excess of ten per cent. of the issued equity share capital.

5. (1) The general superintendence, direction and management of affairs and business of the Small Industries Bank shall vest in a Board of Directors which may exercise all powers and do all such acts and things as may be exercised or done by the Small Industries Bank and are not by this Act expressly directed or required to be done by the Small Industries Bank in general meeting.

Management.

(2) The Board may direct that any power exercisable by it under this Act shall also be exercisable in such cases and subject to such conditions, if any, as may be specified by it, by the chairman and managing director or the whole-time directors.

(3) Subject to the provisions of this Act, the Board in discharging its functions shall act on business principles with due regard to public interest.

6. (1) The Board shall consist of the following, namely:—

Constitution of
Board.

(a) a chairman and managing director appointed by the Central Government;

(b) two whole-time directors appointed by the Central Government;

(c) two directors who shall be officials of the Central Government nominated by the Central Government;

(d) three directors to be nominated in the prescribed manner by the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government;

(e) three directors, including one Director from the officials of the State Financial Corporations, nominated by the Central Government from amongst the persons having special knowledge of, or professional experience in, science, technology, economics, industry, banking, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, or professional experience in, which would, in the opinion of the Central Government, be useful to the Small Industries Bank;

(f) such number of directors not exceeding four elected in the prescribed manner, by shareholders, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, whose names are entered in the register of shareholders of the Small Industries Bank ninety days before the date of the meeting in which such election takes place on the following basis, namely:—

(i) where the total amount of equity share capital issued to such shareholders is ten per cent. or less of the total issued equity share capital, two directors;

(ii) where the total amount of equity share capital issued to such shareholders is more than ten per cent. but less than twenty-five per cent. of the total issued equity share capital, three directors; and

(iii) where the total amount of equity share capital issued to such shareholders is twenty-five per cent. or more of the total issued equity share capital, four directors:

Provided that if the percentage of holding of issued equity share capital with the shareholders, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government, does not permit election of four directors or until the assumption of charge by the elected directors, the Board may, at any time, co-opt such number of directors, not exceeding four, from amongst the persons having special knowledge of, or professional experience in, science, technology, economics, industry, banking, industrial co-operatives, law, industrial finance, investment, accountancy, marketing or any other matter, the special knowledge of, or professional experience in, which would, in the opinion of the Board, be useful to the Small Industries Bank for carrying out its functions, who shall hold office until the assumption of charge by the elected directors and an equal number of such co-opted directors shall retire in the order of co-option.

(2) The chairman and managing director and the whole-time directors shall hold office for such term not exceeding five years as the Central Government may specify in this behalf and any person so appointed shall be eligible for re-appointment.

(3) Notwithstanding anything contained in sub-section (1), the Central Government shall have the right to terminate the term of office of the chairman and managing director or the whole-time director, as the case may be, at any time before the expiry of the term specified under sub-section (2) by giving him notice of not less than three months in writing or three months' salary and allowances in lieu of such notice and the chairman and managing director or the whole-time director, as the case may be, shall also have the right to relinquish his office at any time before the expiry of the term specified under sub-section (2) by giving to the Central Government, notice, of not less than three months in writing.

(4) The chairman and managing director and the whole-time directors shall receive such salary and allowances, as may be determined by the Central Government.

(5) The Central Government may, at any time, remove the chairman and managing director or the whole-time director, as the case may be, from office:

Provided that no person shall be removed from his office, under this sub-section, unless he has been given an opportunity of showing cause against his removal.

(6) Every Director nominated under clauses (c), (d) and (e) of sub-section (1), shall hold office during the pleasure of the authority nominating him.

(7) Subject to the provisions of sub-section (6),—

(a) every Director nominated under clauses (d) and (e) of sub-section (1) shall hold office for such term not exceeding three years as the Central Government, or the authority nominating him, as the case may be, may specify in this behalf and thereafter until his successor assumes office, and shall be eligible for re-nomination:

Provided that no such Director shall hold office continuously for a period exceeding six years; and

(b) every Director elected under clause (f) of sub-section (1) shall hold office for three years and thereafter until his successor assumes office and shall be eligible for re-election:

Provided that no such director shall hold office continuously for a period exceeding six years.

(8) The shareholders, other than the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government may, after giving the director a reasonable opportunity of being heard in the manner as may be prescribed, by resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one-half of the equity share capital held by such shareholders, remove any director elected under clause (f) of sub-section (1) and elect another director in his place to fill the vacancy so caused;

(9) (i) A meeting of the Board shall be held at least once in every three months and at least four meetings shall be held every year and the meetings may be held at such places as may be prescribed.

(ii) Notice of every meeting of the Board shall be given in writing to every Director for the time being in India, and at his usual address in India to every other Director.

(10) Subject to the provisions contained in this Chapter, the Board may meet at such times and places and shall observe such rules of procedure in regard to transaction of its business including the manner of adoption of resolutions as may be prescribed.

(11) The chairman and managing director, if for any reason, is unable to attend a meeting of the Board, any other Director nominated by the chairman and managing director in this behalf and in the absence of such nomination any director elected by the directors present from among themselves, shall preside at the meeting.

(12) All questions which come up before any meeting of the Board shall be decided by a majority of votes of the directors present and voting, and in the event of an equality of votes, the chairman and managing director, or in his absence, the person presiding, shall have a second or casting vote.

(13) Save as provided in sub-section (12), every Director of the Board shall have one vote.

4. Section 7 of the principal Act shall be omitted.

5. For sections 8 and 9 of the principal Act, the following sections shall be substituted, namely:—

Omission of section 7.

Substitution of new sections for sections 8 and 9.

Disqualifica-
tions of
directors.

"8. A person shall not be eligible for being elected as a director under clause (f) of sub-section (1) of section 6, if he—

(a) has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;

(b) is an undischarged insolvent;

(c) has applied to be adjudicated as an insolvent and his application is pending;

(d) has been convicted by a court of competent jurisdiction, of any offence involving moral turpitude and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence; or

(e) has not paid any call in respect of shares of the Small Industries Bank held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call.

Vacation and
resignation of
office by
directors.

9. (1) The office of a director shall become vacant if he—

(a) becomes subject to any of the disqualifications mentioned in section 8; or

(b) resigns his office by giving notice in writing under his hand and the resignation is accepted; or

(c) absents himself from three consecutive meetings of the Board without obtaining leave of absence from the Board.

(2) Notwithstanding anything contained in clause (a) of sub-section (1), the disqualifications referred to in that clause shall not take effect—

(a) for thirty days from the date of the adjudication, sentence or order;

(b) where any appeal or petition is preferred within thirty days aforesaid against the adjudication, sentence or conviction resulting in the sentence or order until the expiry of seven days from the date on which such appeal or petition is disposed of; or

(c) where within the seven days aforesaid, any further appeal or petition is preferred in respect of the adjudication, sentence, conviction or order and the appeal or petition, if allowed, would result in the removal of the disqualification, until such further appeal or petition is disposed of."

Omission of
sections 10 and
11.

6. Sections 10 and 11 of the principal Act shall be omitted.

Substitution of
new sections
for section 12.
Executive
Committee and
other
committees.

7. For section 12 of the principal Act, the following sections shall be substituted, namely:—

"12. (1) The Board shall constitute an Executive Committee consisting of the chairman and managing director, the whole-time directors and such other directors as it may deem fit.

(2) The Executive Committee shall discharge such functions as may be prescribed or as may without prejudice to the provisions contained in section 34, be delegated to it by the Board.

(3) The Board may constitute such other committees whether consisting wholly of directors or wholly of other persons or partly of directors and partly of other persons for such purpose or purposes as it may think fit.

(4) The Executive Committee or any other committee constituted under this section shall meet at such times and places and shall observe such rules of procedure in regard to the transaction of business at its meetings as may be prescribed.

Fees and
allowances of
directors and
members of
committees.

12A. The directors and the members of a committee shall be paid such fees and allowances as may be prescribed for attending the meetings of the Board or of any committee constituted in pursuance of this Act and for attending to any other work of the Small Industries Bank:

Provided that no fees shall be payable to the chairman and managing director or to the whole-time directors or to any other director who is an official of the Government."

8. In section 13 of the principal Act, in sub-section (1),—

Amendment of
section 13.

(a) for clause (i), the following clause shall be substituted, namely:—

"(i) granting loans and advances to, any State Financial Corporation, State Industrial Development Corporation, State Small Industries Corporation, scheduled bank, State Cooperative Bank or such other financial institutions, approved by the Board in this behalf, by way of refinance on such terms and conditions as it may deem fit to impose, of any loans or advances granted to industrial concerns in the small-scale sector by such corporation bank, or institution or, of any loans or advances granted by the State Financial Corporation or State Industrial Development Corporation to any other industrial concern, which are repayable within a period not exceeding twenty-five years;"

(b) in clauses (iii) and (iv), for the words "such other financial institutions, as the Central Government may, on the recommendation of the Development Bank, specify", the words "such other financial institutions as may be approved by the Board in this behalf" shall be substituted;

(c) in clause (vii), for the words "as the Central Government may, on the recommendation of the Development Bank, specify", the words "approved by the Board in this behalf" shall be substituted;

(d) in clause (xviii), in sub-clause (b), for the words "as the Central Government may, on the recommendation of the Development Bank, specify", the words "as approved by the Board in this behalf" shall be substituted;

(e) in clause (xix), for the words "as the Central Government may, on the recommendation of the Development Bank, specify", the words "as approved by the Board in this behalf" shall be substituted;

(f) in clause (xxiii), for the words "the Central Government on the recommendation of the Development Bank", the words "the Central Government" shall be substituted;

(g) in clause (xxix), in sub-clause (b), for the words "the Development Bank", the words "the Board" shall be substituted;

(h) in clause (xxx), for the words "the Development Bank", the words "the Board" shall be substituted.

9. In section 15 of the principal Act, in sub-section (1), in clauses (c) and (d), for the words "approved by the Development Bank", the words "approved by the Board" shall be substituted.

Amendment of
section 15.

10. For section 16 of the principal Act, the following section shall be substituted, namely:—

Substitution of
new section for
section 16.

"16. The Small Industries Bank may invest (whether by way of deposits in banks or otherwise) the amounts available in the Small Industries Development Assistance Fund or the Small Industries General Fund or any other fund or account which are not for the time being required for the transaction of business in such manner as may be approved by the Board."

Investment.

11. In section 19 of the principal Act, in sub-section (1), the words "and the Development Bank" shall be omitted.

Amendment of
section 19.

Insertion of
new Chapters
IV A and IV B

12. After Chapter IV of the principal Act, the following Chapters shall be inserted, namely:—

CHAPTER IV A

SHARES

Free transfer-
ability of
shares.

20A. (1) Save as otherwise provided in sub-section (2), the equity shares of the Small Industries Bank shall be freely transferable.

(2) Nothing contained in sub-section (1) shall entitle the Development Bank, the public sector banks, the General Insurance Corporation, the Life Insurance Corporation and other institutions owned or controlled by the Central Government to transfer any shares held by them in the Small Industries Bank if such transfer will result in reducing the equity shares held in aggregate by them to less than fifty-one per cent. of the issued equity share capital of the Small Industries Bank.

Register of
shareholders.

20B. (1) The Small Industries Bank shall keep at its head office a register, in one or more books, of the shareholders and shall enter therein the following particulars so far as they may be available, namely:—

(i) the names, addresses and occupations, if any, of the shareholders and a statement of the shares held by each shareholder, distinguishing each share by its denoting number;

(ii) the date on which each person is so entered as a shareholder;

(iii) the date on which any person ceases to be a shareholder; and

(iv) such other particulars as may be prescribed:

Provided that nothing in this sub-section shall apply to the shares held with a depository under the Depositories Act, 1996.

22 of 1996.

(2) Notwithstanding anything contained in sub-section (1), it shall be lawful for the Small Industries Bank to keep the register of the shareholders in computer floppies, diskettes, compact disk or any other electronic form subject to such safeguards as may be prescribed.

(3) Notwithstanding anything contained in the Indian Evidence Act, 1872, a copy of, or extract from, the register of the shareholders, certified to be a true copy under the hand of an officer of the Small Industries Bank authorised in this behalf, shall, in all legal proceedings, be admissible in evidence.

1 of 1872.

(4) The Register of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be a Register of the shareholders for the purposes of this Act.

22 of 1996.

Trust not to be
entered on the
register of
shareholders.

20C. Notwithstanding anything contained in section 20B, no notice of any trust, express, implied or constructive, shall be entered on the register of shareholders or be receivable by the Small Industries Bank:

Provided that nothing in this section shall apply to a depository in respect of the shares held by it as a registered owner on behalf of a beneficial owner.

Explanation.—For the purposes of section 20B and this section, the expressions “beneficial owner”, “depository” and “registered owner” shall have the meanings respectively assigned to them as in clauses (a), (e) and (f) of sub-section (1) of section 2 of the Depositories Act, 1996.

22 of 1996.

Board's right to
refuse registra-
tion of transfer
of shares.

20D. (1) The Board may refuse to register the transfer of any shares in the name of the transferee on any one or more of the following grounds, and on no other ground, namely:—

(a) the transfer of the shares is in contravention of the provisions of this Act or regulations made thereunder or any other law;

(b) the transfer of the shares, in the opinion of the Board, is prejudicial to the interests of the Small Industries Bank or to the public interest;

(c) the transfer of shares is prohibited by an order of a court, tribunal or any other authority under any law for the time being in force.

(2) The Board shall, before the expiry of two months from the date on which the instrument of transfer of shares of the Small Industries Bank is lodged with it for the purpose of registration of such transfer, not only form, in good faith, its opinion as to whether such registration ought not or ought to be refused on any of the grounds referred to in sub-section (1) but also,—

(a) if it has formed the opinion that such registration ought not to be so refused, effect such registration; and

(b) if it has formed the opinion that such registration ought to be refused on any of the grounds mentioned in sub-section (1), intimate the transferor and the transferee by notice in writing.

(3) An appeal against the order of refusal of the Board under sub-section (2) shall lie to the Central Government and the procedure for filing and hearing of such appeal shall be in accordance with the rules made by the Central Government in this behalf.

2 of 1882.

20E. Notwithstanding anything contained in the Indian Trusts Act, 1882, the shares of the Small Industries Bank shall be deemed to be included among the securities enumerated in section 20 of the said Act.

Shares to be securities under the Indian Trusts Act, 1882.

CHAPTER IV B

MEETINGS AND PROCEEDINGS

20F. (1) The Small Industries Bank shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next:

Annual general meeting.

Provided that the Small Industries Bank may hold the first annual general meeting within a period of six months from the date on which it allots shares for the first time to public for subscription:

Provided further that the Central Government may extend the time within which any annual general meeting shall be held by a period not exceeding three months.

(2) Every annual general meeting shall be called for a time during business hours, on a day that is not a public holiday, and shall be held either at head office or at some other place within the city or town in which the head office is situated.

Explanation.—For the purposes of this section, "public holiday" means a public holiday within the meaning of the Negotiable Instruments Act, 1881:

36 of 1881.

Provided that no Sunday shall be deemed to be such a holiday in relation to any meeting:

Provided further that no day declared by the Central Government to be a public holiday shall be deemed to be such a holiday, in relation to any meeting, unless the declaration was notified before the issue of the notice convening such meeting.

20G. (1) The shareholders present at an annual general meeting shall be entitled to discuss and adopt—

(a) the balance sheet and profit and loss account of the Small Industries Bank made up to the date on which its accounts are closed and balanced;

Matters to be discussed and procedure in annual general meeting.

(b) the report of working of the Small Industries Bank for the period covered by the accounts;

(c) the auditor's report on the balance-sheet and accounts;

(d) proposals for declaration of dividend and capitalisation of reserves;

(e) appointment of auditors referred to in sub-section (1) of section 30.

(2) The shareholders present at an annual general meeting may also discuss any other matter to be transacted at such meetings in accordance with the provisions of this Act.

(3) The matters relating to—

(a) the manner in which annual general meeting or other meetings are held under this Act and the procedure to be followed thereat;

(b) the manner in which voting rights may be exercised and resolutions may be passed; and

(c) the procedure for transaction of business at such meetings and related matters,

shall be such as may be prescribed.

Amendment of
section 21.

13. In section 21 of the principal Act, in sub-section (2), for the words "Development Bank", the word "Board" shall be substituted.

Amendment of
section 23.

14. In section 23 of the principal Act, for the words "Development Bank", the word "Board" shall be substituted.

Amendment of
section 25.

15. In section 25 of the principal Act,—

(a) in sub-section (2), for the words "Development Bank", the word "Board" shall be substituted;

(b) for sub-section (3), the following sub-section shall be substituted, namely:—

"(3) The Small Industries Development Assistance Fund shall be audited by the auditors, appointed under sub-section (1) of section 30, who shall make a separate report thereon.";

(c) in sub-section (5), the words "and the Development Bank" shall be omitted.

Amendment of
section 26.

16. In section 26 of the principal Act, the words "on the recommendation of the Development Bank," shall be omitted.

Amendment of
section 28.

17. In section 28 of the principal Act, in sub-section (2), for the words "Development Bank", the word "Board" shall be substituted.

Amendment of
section 29.

18. In section 29 of the principal Act, for sub-section (2), the following sub-section shall be substituted, namely:—

"(2) After making provision for bad and doubtful debts, depreciation of assets and for all other matters for which provision is necessary or expedient or which is usually provided for by bankers and for the reserve fund referred to in sub-section (1), and after transferring a part of the profits to such other reserves or funds as may be considered appropriate, the Board may, out of its net profits, propose a dividend."

Amendment of
section 30.

19. In section 30 of the principal Act,—

(a) for sub-section (1), the following sub-section shall be substituted, namely:—

"(1) The accounts of the Small Industries Banks shall be audited by auditors duly qualified to act as auditors under sub-section (1) of section 226 of the Companies Act, 1956, who shall be appointed by the Small Industries Bank in general meeting of the shareholders out of the panel of auditors approved by the Reserve Bank for such term and on such remuneration as the Reserve Bank may fix.";

(b) in sub-section (5), the words "and the Development Bank" shall be omitted.

20. In section 35 of the principal Act, for the words "the Central Government, the Reserve Bank and the Development Bank", the words "the Central Government and the Reserve Bank" shall be substituted.

Amendment of section 35.

21. In section 36 of the principal Act,—

Amendment of section 36.

(a) in sub-section (2), for the words "as may be specified by the Development Bank", the words "as may be specified by the Board" shall be substituted;

(b) in sub-section (3), the words "or the Development Bank" shall be omitted.

22. After section 37 of the principal Act, the following section shall be inserted, namely:—

Insertion of new section 37A.

"37A. (1) Any sums received by a borrowing institution in repayment or realisation of loans and advances refinanced either wholly or partly by the Small Industries Bank shall, to the extent of the accommodation granted by the Small Industries Bank and remaining outstanding, be deemed to have been received by the borrowing institution in trust for the Small Industries Bank, and shall accordingly be paid by such institution to the Small Industries Bank, as per the repayment schedule fixed by the Small Industries Bank.

Amounts and securities to be held in trust.

(2) Where an accommodation has been granted to a borrowing institution, all securities held, or which may be held, by such borrowing institution, on account of any transaction in respect of which such accommodation has been granted by the Small Industries Bank, shall be held by such institution in trust for the Small Industries Bank."

23. In section 45 of the principal Act, for the word "Chairman", the words "Chairman and managing director, the whole-time director" shall be substituted.

Amendment of section 45.

24. After section 51 of the principal Act, the following section shall be inserted, namely:—

Insertion of new section 51A.

"51A. (1) The Central Government may, by notification, make rules to carry out the provisions of this Act.

Power to make rules by Central Government.

(2) In particular, and without prejudice to the generality of the foregoing power, such rules may provide for all or any of the following matters, namely:—

(i) the procedure for filing and hearing of appeal against the refusal to register the transfer of shares by the Board under sub-section (3) of section 20D; and

(ii) any other matter which has to be, or may be, prescribed by rules under this Act."

25. In section 52 of the principal Act,—

Amendment of section 52.

(a) in sub-section (1), the words "with the previous approval of the Development Bank," shall be omitted;

(b) in sub-section (2), for clause (a), the following clauses shall be substituted, namely:—

"(a) the removal of Director under sub-section (8) of section 6;

(aa) the places of meetings of the Board under this Act and the procedure to be followed at such meetings including the quorum necessary for transaction of business and the manner of adoption of resolution under section 6;

(ab) the functions to be discharged by the Executive Committee under sub-section (2) of section 12;

(ac) the places of meetings of the Executive Committee and the procedure to be followed at such meetings under sub-section (4) of section 12;

(ad) such fees and allowances which may be paid to the directors and members of the Executive Committee under section 12A;

(ae) the particulars to be prescribed in the register of shareholders under clause (iv) of sub-section (1) of section 20B;

(af) the procedure relating to maintenance of register of shareholders in electronic form under sub-section (2) of section 20B;

(ag) the matters relating to the annual general meeting under sub-section (3) of section 20G;"

(c) for sub-section (3), the following sub-section shall be substituted, namely:—

"(3) Every rule made by the Central Government, and every regulation made by the Board under this Act shall be laid, as soon as may be after it is made, before each House of Parliament, while it is in session for a total period of thirty days which may be comprised in one session or in two or more successive sessions, and if, before the expiry of the session immediately following the session or the successive sessions aforesaid, both Houses agree in making any modification in the rule or regulation or both Houses agree that the rule or regulation should not be made, the rule or regulation shall thereafter have effect only in such modified form or be of no effect, as the case may be, so, however, that any such modification or annulment shall be without prejudice to the validity of anything previously done under that rule or regulation."

STATEMENT OF OBJECTS AND REASONS

The Small Industries Development Bank of India Act, 1989 was enacted to provide for the establishment of a principal financial institution namely, the Small Industries Development Bank of India (SIDBI) for the purpose of promoting, financing and, development of industrial concerns in the small scale sector and for coordinating the functions of the institutions engaged in promoting, financing or developing the industrial concerns and for matters connected therewith. At present, SIDBI is a wholly-owned subsidiary of the Industrial Development Bank of India (IDBI). Its activities comprise mainly medium and long-term lending directly or indirectly to the small scale sector. Further, currently the SIDBI is providing more than two-thirds of the refinance requirements of the State Financial Corporations. In view of the importance of the small-scale sector and in order to enable the SIDBI to play a more effective role in overall development of the small scale sector, it is necessary that SIDBI becomes an independent entity. This would also enable the SIDBI to raise resources both in debt and equity at competitive terms from the domestic as well as international markets. It is in this context that it is proposed to delink SIDBI from IDBI.

2. With the introduction of economic reforms, it has been considered necessary to enlarge the shareholders' base of SIDBI and provide SIDBI with greater functional autonomy and operational flexibility. Therefore, it is proposed to make comprehensive amendments to the Small Industries Development Bank of India Act, 1989.

3. The main features of the proposed amendments are as follows:—

(a) enhancement of the authorised capital of SIDBI from Rs. 250 crores to Rs. 1,000 crores with an enabling provision for further increase up to Rs. 2000 crores;

(b) enlarging the shareholders' base of SIDBI by enabling IDBI to transfer atleast 51% of equity share capital of SIDBI held by it to public sector banks, insurance companies and other institutions owned or controlled by the Central Government and enabling SIDBI to offer its shareholding to public up to 49%;

(c) restructuring the Board of Directors;

(d) empowering of Board of Directors of SIDBI to exercise the powers relating to borrowings, acceptance of deposits and investments of surplus funds;

(e) vesting the general body of shareholders with powers such as appointment of auditors, approval of rate of dividend and approval of annual accounts, etc.;

(f) powers hitherto conferred on IDBI would be exercised either by the Central Government or the Board of Directors of SIDBI or delegated, as the case may be; and

(g) provide that sums received by the borrowing institutions to be deemed as sums received in trust in certain cases.

4. The Bill seeks to achieve the above objects.

NEW DELHI;
The 11th December, 1999.

YASHWANT SINHA.

Notes on Clauses

Clause 2 defines the expressions "Chairman and managing director", "General Insurance Corporation", "public sector bank" and "Life Insurance Corporation" occurring in the Bill.

Clause 3 seeks to substitute of sections 4 to 6 of the principal Act to, inter alia, provide for enhancement of the authorised capital; conversion of equity shares in to redeemable preference shares; transfer of share capital; issued capital; provision of reduction of share capital; restriction of exercising of voting rights; management of the Small Industries Bank of India and Constitution of Board of Directors.

Clause 4 provides for the omission of section 7 of the principal Act relating to Managing Director.

Clause 5 provides for substitution of new sections 8 and 9 in the principal Act for making provisions for disqualification, vacation and resignation of Directors.

Clause 6 provides for omission of sections 10 and 11 of the principal Act relating to filling up of casual vacancies in the office of Managing Director and meetings of Board.

Clause 7 provides for substitution of new section 12 in the principal Act regarding Executive Committee and other committees; fees and allowances of the directors and members of such Committees.

Clause 8 provides for amendment of section 13 of the principal Act to remove the control of the Central Government in the matters of the business of the Board and also to amend sub-section (1) of section 13 to incorporate refinance for loans and advances granted to industrial concerns by the State Financial Corporation or State Industrial Development Corporation.

Clause 9 provides for amendment of section 15 of the principal Act so as to provide for approval of the Board instead of the Development Bank.

Clause 10 provides for substitution of new section for section 16 of the principal Act authorising the Board of directors to decide matters relating to investment of surplus funds.

Clause 11 provides for omission of the word "Development Bank" in section 19 of the principal Act.

Clause 12 provides for insertion of two new Chapters IVA and IVB "Shares" and relating to "meetings and proceedings" for making provisions in respect of free transferability of shares; register of share holders; holding of annual general meetings and matters to be discussed and procedure to be adopted in such meeting, etc.

Clause 13 provides for omission of the words "Development Bank" in section 21 of the principal Act.

Clause 14 provides for substitution of the word "Board" for the words "Development Bank" in section 23 of the principal Act.

Clause 15 provides for amendments of consequential nature in section 25 of the principal Act.

Clause 16 provides for omission of the words "on the recommendation of the Development Bank" in section 26 of the principal Act.

Clause 17 provides for substitution of the word "Board" for the words "Development Bank" in section 28 of the principal Act.

Clause 18 provides for amending section 29 of the principal Act to make provision for declaration of dividend.

Clause 19 provides for amending section 30 of the principal Act to provide for appointment of auditors duly qualified to act as auditors under sub-section (1) of section 226, of the Companies Act, 1956.

Clause 20 provides for amendment of section 35 of the principal Act relating to returns.

Clause 21 provides for amendment of section 36 of the principal Act relating to obligations as to fidelity and secrecy.

Clause 22 provides for insertion of a new section 37A on the lines of section 29 of the National Bank for Agriculture and Rural Development Act, 1981 to provide for amounts and securities to be held in trust in certain cases.

Clause 23 provides for amendment of section 45 of the principal Act so as to substitute the words "chairman and managing director, the whole time director for the word "Chairman".

Clause 24 provides for insertion of a new section 51A for providing rule making power by the Central Government in respect of appeal to heard against the refusal to register the transfer of shares by the Board and other matters.

Clause 25 provides for amendment of section 52 of the principal Act to confer powers upon the Board to make regulations without previous approval of the Development Bank, make regulations in respect of certain additional matters specified in that clause and provide for laying of rules or regulations made under the Small Industries Development Bank of India Act, 1989 refer each House of Parliament.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 24 of the Bill seeks to insert a new section 51A in the principal Act empowering the Central Government to make rules to carry out the provisions of the Act. The matters in respect of such rules may be made relates *inter alia*, to provide for the procedure for filing and hearing of appeal against the refusal to register the transfer of shares by the Board and any other matter which has to be, or may be, prescribed by rules.

2. Clause 25 of the Bill seeks to amend section 52 of the principal Act empowering the Board to make regulations to carry out the provisions of the principal Act without the previous approval of the Development Bank. It is also proposed to confer power upon the Board to make regulations in respect of certain additional matters which, *inter alia*, provide for the removal of Director; the places of meetings of the Board and the procedure to be followed at such meeting including the quorum necessary for transaction of business and the manner of adoption of resolution; the function to be discharged by the Executive Committee; the place of the meeting of the Executive Committee and the procedure to be followed at such meeting; such fees and allowances which may be paid to the directors and members of the Executive Committee; the particulars to be prescribed in the register of shareholders; the procedure relating to maintenance of register of shareholders in electronic form; matters relating to annual general meeting.

3. The rules and regulations made, shall be laid, as soon as may be, after they are made before each House of Parliament.

4. As the matter with respect to such rules, or regulations may be made are matters of procedure and administrative detail, and it is not practicable to provide them in the proposed legislation itself.

5. The delegation of legislative power is, therefore, of a normal character.

G.C. MALHOTRA,
Secretary-General.